

*Hammond*



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

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August 2, 2005

To: Supervisor Gloria Molina, Chair  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich  
From: *David E. Janssen*  
David E. Janssen  
Chief Administrative Officer

**LOS ANGELES HOMELESS SERVICES AUTHORITY (LAHSA) FINANCIAL AND  
CONTRACT MANAGEMENT ISSUES – STATUS REPORT**

Since the joint assessment report on LAHSA's fiscal and contract administration was issued on July 19, 2005 by the County Auditor-Controller and the City Controller, Carlos Jackson, Executive Director of the County's Community Development Commission and Mercedes Marquez, General Manager of the City's Housing Department, and their staff have been meeting almost daily. They have taken a number of actions to correct the current deficiencies outlined in the joint assessment with the highest priority of expediting the payment to contractors who operate homeless shelters. They are also developing plans and processes to ensure that LAHSA's fiscal and contract administration operates effectively and appropriately for the long term. The attached memo from Mr. Jackson outlines these actions.

If you have questions, please call me or Mr. Jackson at (323) 890-7400. If your staff have questions, they may contact Lari Sheehan of my staff at (213) 893-2477 or [lsheehan@cao.co.la.ca.us](mailto:lsheehan@cao.co.la.ca.us).

DEJ:LS:pg

Attachment

## **Community Development Commission**

August 1, 2005

To: David E. Janssen, Chief Administrative Officer  
Chief Administrative Office

From: Carlos Jackson, Executive Director

**SUBJECT: STATUS REPORT ON CORRECTIVE ACTIONS RELATED TO THE  
LOS ANGELES HOMELESS SERVICE AUTHORITY CONTRACT AND  
FISCAL MANAGEMENT ISSUES**

Since issuance of the joint assessment report on LAHSA's fiscal and contract administration on July 19, 2005 by the County Auditor-Controller and the City Controller, the administrative oversight committee composed of Mercedes Marquez, General Manager of the City Housing Department, and I have taken the following actions:

- On July 19, 2005, convened a group of City and County (joint team) contract and financial staff to work at LAHSA with the financial consulting firm of Thompson, Cobb, Bazilio and Associates (TCBA) to do the following: review and classify all unpaid invoices to determine their status and ascertain their appropriate funding source; work to execute contracts for fiscal year 2005-06; and review financial transactions between July 1, 2003 and June 30, 2005 for purposes of reconciling the LAHSA books to correct the commingling of funds that is known to have occurred during this period. The Community Development Commission and the Department of Public Social Services have provided a total of seven (7) staff for this effort; the staff will work at LAHSA for approximately six (6) weeks.
- Met on July 26, 2005, with Los Angeles office of the U.S. Department of Housing and Urban Development (HUD) to review the situation at LAHSA and to seek their approval of the joint team's proposed corrective action plan. I am pleased to report that HUD was positive about the timeliness and content of the joint team's corrective action response to LAHSA's fiscal and contracting lapses and expressed their willingness to work with us in implementing the plan. This approval was important because HUD provides a major source of funds to LAHSA both as a pass through from the City and County and as a direct funder of contracts between HUD and LAHSA. Therefore, it is critical to keep HUD abreast of the problems and progress that is being made to resolve the current circumstances. A letter confirming the elements of our meeting has been sent to HUD by Mitchell Netburn (see attachment A). We have agreed to meet with HUD on a continual basis until the financial and programmatic issues are resolved satisfactorily. Our next meeting with HUD is scheduled for August 4, 2005.

David E. Janssen, Chief Administrative Officer  
August 1, 2005  
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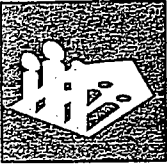
- On July 28, 2005, meetings were held with LAHSA contractors to explain the situation and interview each contractor concerning their current contract status with LAHSA as well as the fiscal situation of their agency. I addressed the contractors on behalf of the County; City staff and LAHSA Commissioners also addressed the contractors. The contractors were randomly split into two groups: one group met in the morning and the second met in the afternoon. Of the 90 LAHSA contractors, 71 attended the July 28<sup>th</sup> meetings.
- Los Angeles Deputy Mayor Bud Ovrom and I met on July 29, 2005 with our respective staffs and representatives of your office to begin discussions on what joint efforts need to be put in place to ensure the long term effective and proper functioning of LAHSA and/or our mutual homeless prevention programs regardless of their governance format. These discussions will continue and factor into our response to the Board's June 20, 2005 direction to review LAHSA's governance structure. This discussion included a review of the LAHSA joint powers agreement and specifically the provisions that govern amending or terminating the agreement. The amendment process is not overly onerous, however, terminating the agreement requires a 180-day notice period. Although, we have not developed any specific recommendations, we share the opinion that both the City and County will need to be improve the diligence of their oversight of LAHSA operations.

We are scheduled to discuss the joint team's efforts with the standing meeting of Board Deputies assigned to oversee the homeless on August 3, 2005. As we continue in this endeavor I will keep your office apprised of our progress.

CJ:LS:pg  
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#### Attachments

c: Lari Sheehan, Assistant Administrative Officer, Chief Administrative Office



**LOS ANGELES  
HOMELESS  
SERVICES  
AUTHORITY**

August 2, 2005

William Vasquez, Director  
Office of Community Planning and Development  
U.S. Department of Housing and Urban Development  
611 West 6<sup>th</sup> Street, 10<sup>th</sup> Floor  
Los Angeles, CA 90017

Re: Los Angeles Homeless Services Authority Meeting of July 25, 2005

**Mitchell Netburn**  
Executive Director

**Robin Conerly**  
Deputy Director

**Board of Commissioners**

**Owen Newcomer**  
Chair

**Sarah Dusseault**  
Vice-Chair

**Larry Adamson**

**E Felicia Brannon**

**Veronica Brooks**

**Howard Katz**

**Christianne F. Kerns**

**Louisa Ollague**

**Ruth Schwartz**

Dear Mr. Vasquez:

Thank you for meeting with us and our funding partners, the City and County of Los Angeles. The purpose of our meeting was to inform you of the fiscal and contract issues currently facing the Los Angeles Homeless Services Authority (LAHSA). You were very helpful in providing guidance and assistance to us in determining the most appropriate course of action to take in order to get payments made to our homeless providers so as to avoid a disruption in service provision. We appreciate your willingness to work with us through this challenging period.

As we discussed, LAHSA receives funding from multiple government sources. The conditions of the various funding agreements require that LAHSA maintain fiscal and regulatory compliance and remain in good standing at all times. Unfortunately, there were a number of circumstances such as significant staff turnover and an inability to retain technical expertise that resulted in LAHSA being unable to meet its fiscal and administrative requirements. Consequently, payments to service providers were not made timely and many payments remain outstanding. In addition, regulatory compliance issues have been identified and must be addressed.

Therefore, based upon your request, the following will provide you with information as a means of assuring you that systems, if not already in place, will be developed to avoid any possibility of future fiscal and regulatory non-compliance:

**Accounting Procedures**

As we indicated, our fiscal problems began as early as July 1, 2003, when, in our attempt to make payments to non-profit service providers, funds were commingled into one single bank account. Currently, LAHSA, in concert with technical staff from Los Angeles County and City, is conducting an analysis to reconcile all commingling that occurred between the period of July 1, 2003 and June 30, 2005.

In order to avoid a recurrence of the commingling of funds, since July 1, 2005, LAHSA has implemented new accounting procedures. These include:

- Recording deposits by individual funding source into segregated cash accounts in our fund accounting system in accordance with the requirements as specified in the funding agreements.
- Recording corresponding grant revenue in the accounting system separately by grant agreement cost center. Accounting for grant transaction activity in a comprehensive and integrated manner without relying on subsidiary schedules maintained outside the accounting system, which eliminates the need to reconcile subsidiary schedules to the accounting system's grant data.
- All new payment requests received and paid since July 1, 2005 have been paid only from funds allocated through the appropriate grant cost center.

**Administrative Office**

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- No funds have been commingled and we reconcile all cash accounts on a daily basis.

In addition, as we continue our work, with the assistance of our newly contracted accounting firm of Thompson, Cobb, Brazilio & Associates, PC, we will be developing and implementing other fiscal and administrative control procedures related to cash, purchases, including the competitive procurement requirements, payments, contracts, appropriate separation of duties, and systems access. As agreed, we will share those procedures as we develop and implement them.

#### **Reconciliation of Funds**

We are currently conducting a major reconciliation of all projects to determine how much and from which accounts funds were disbursed beginning July 1, 2003 through June 30, 2005. In addition to the LAHSA staff, the County and City of Los Angeles have committed seven (7) full-time staff members to assist us in completing our analysis expeditiously. Therefore, by August 15, 2005 we will provide you with a date by which you can expect the reconciliation to be completed and a full written report provided to you.

#### **Review of Source Documentation and Development of Risk Analysis**

During our discussion, it was agreed upon that LAHSA would no longer be required to review 100% source documentation as required in your September 30, 2002 monitoring report on the Supportive Housing Program (SHP) based upon the following:

- Assurance that LAHSA has reviewed 100% source documentation for all SHP recipients for at least one (1) year. If there are agencies for which 100% source documentation has not been reviewed for at least one (1) year, LAHSA will complete this review;
- Agencies will not be exempt from providing 100% source documentation until a risk analysis is conducted and their risk status is determined;
- LAHSA will develop a methodology for assigning risk (risk analysis) based upon certain factors such as the review of at least one (1) year's 100% source documentation, agency capacity, history, performance, timeliness, responsiveness, etc. and share it with the U.S. Department of Housing and Urban Development (HUD) by August 15, 2005;
- LAHSA will require agencies that are identified as high risk to continue submitting 100% source documentation until such time that their risk status changes;
- LAHSA will require that 100% source documentation be maintained by each service provider for review as required by their contract with LAHSA;
- LAHSA will develop an annual monitoring plan that includes internal reviews and site visits to agencies, implement the plan in conjunction with an annual risk analysis of each SHP recipient, and share it with HUD by August 31, 2005; and
- LAHSA may, at any time, elect to require an agency to submit 100% source documentation, should it determine that the risk factors for an agency have increased.

#### **Advance Notice of Drawdown Requests and Technical Submissions**

Lastly, we discussed the status of edits in the Line of Credit Control System (LOCCS) and 2004 technical submissions. The following information was provided:

- Edits in LOCCS: One of the delays in drawing down SHP funds is the existence of edits in LOCCS. These edits take effect if HUD does not receive an Annual Program Report (APR) 90 days after a grant expires. So far, HUD and LAHSA staff have been working on a case-by-case basis to lift the edits. At the meeting we agreed to address this issue in a more global manner. As a result, HUD requested that LAHSA compile a list of all grants that have outstanding APR's and the dollar amounts, if known, of the drawdown for each grant. This list was submitted to Jana Bickel, HUD Relocation Specialist, on August 1, 2005. In the future, LAHSA will provide your office with a quarterly report of outstanding APR's in order to facilitate or assist in the process of drawing funds from LOCCS.
- Technical Submissions: Regarding the status of the technical submissions, as you know, our staffs (HUD and LAHSA) have agreed to meet on August 3, 2005 in order to prioritize the review and approval of the technical submissions. We appreciate your willingness to assist us in

expediting this process. The results of this review will be discussed at our next joint meeting on August 4, 2005.

Please be assured that we, and our partners, are dedicated to implementing the appropriate corrective actions within our organization to enable us to administer our programs and return to full regulatory and fiscal compliance.

Should you have any questions, feel free to contact me at (213) 683-3328.

Sincerely,

A handwritten signature in black ink, appearing to read "Mitchell Netburn", with a stylized flourish at the end.

Mitchell Netburn  
Executive Director

cc: Carlos Jackson, Executive Director, Community Development Commission  
Lari Sheehan, Assistant Administrative Officer, Chief Administrative Office  
Mercedes Marquez, General Manager, Los Angeles Housing Department  
Owen Newcomer, Chair, LAHSA Commission